

FINANCIAL REPORT
THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
DECEMBER 31, 2019 AND 2018

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

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DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

June 25, 2020

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We have audited the accompanying financial statements of the Third District Volunteer Fire Department (a Louisiana nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Michael J. O' Rourke, CPA
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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Third District Volunteer Fire Department as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2020 on our consideration of the Third District Volunteer Fire Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Third District Volunteer Fire Department's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash	\$ 643,641	\$ 1,039,254
Accounts receivable	151,122	17,721
Prepaid insurance	159,729	128,814
Total current assets	<u>954,492</u>	<u>1,185,789</u>
PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$4,177,073 and \$3,852,112)	<u>4,203,499</u>	<u>4,547,686</u>
Total property and equipment	<u>4,203,499</u>	<u>4,547,686</u>
OTHER ASSETS	<u>492,354</u>	<u>472,688</u>
TOTAL ASSETS	<u>\$ 5,650,345</u>	<u>\$ 6,206,163</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 24,179	\$ 17,290
Accrued wages and payroll taxes	67,746	83,806
Annual leave payable	160,412	137,014
Accrued pension expense	253,994	188,936
Accrued postretirement benefits	134,709	132,948
Capital lease payable	127,593	119,625
Total current liabilities	<u>768,633</u>	<u>679,619</u>
LONG-TERM LIABILITIES:		
Accrued postretirement benefits	404,125	398,845
Capital lease, net of current portion	33,205	160,798
Total long-term liabilities	<u>437,330</u>	<u>559,643</u>
TOTAL LIABILITIES	<u>1,205,963</u>	<u>1,239,262</u>
NET ASSETS:		
Without donor restrictions	<u>4,444,382</u>	<u>4,966,901</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,650,345</u>	<u>\$ 6,206,163</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES AND OTHER SUPPORT:		
Fire Protection District No. 3 Contract Fees:		
Ad valorem taxes	\$ 3,106,620	\$ 2,965,992
Capital funds	241,378	74,864
Service charge	340,008	340,008
Insurance rebate	149,910	150,688
Interest income	3,519	700
Miscellaneous	<u>128,802</u>	<u>44,587</u>
Total revenues and other support	<u>3,970,237</u>	<u>3,576,839</u>
EXPENSES:		
Program services:		
Firefighting	4,311,317	4,151,664
Supporting services:		
General and administrative	<u>181,439</u>	<u>179,404</u>
Total expenses	<u>4,492,756</u>	<u>4,331,068</u>
DECREASE IN NET ASSETS		
WITHOUT DONOR RESTRICTIONS	(522,519)	(754,229)
Net assets without donor restrictions - January 1	<u>4,966,901</u>	<u>5,721,130</u>
NET ASSETS WITHOUT DONOR		
RESTRICTIONS - DECEMBER 31	<u>\$ 4,444,382</u>	<u>\$ 4,966,901</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>General and Administrative</u>	<u>Total</u>
Beverages	\$ 3,695	\$ 114	\$ 3,809
Breathing apparatus	2,063	-	2,063
Depreciation	333,861	10,326	344,187
First aid supplies	10,203	-	10,203
Insurance	176,568	5,461	182,029
Interest	-	15,351	15,351
Legal and accounting	-	47,085	47,085
Maintenance materials	84,492	-	84,492
Major repairs and maintenance	83,307	2,576	85,883
Manpower	3,150,574	97,440	3,248,014
Miscellaneous	21,599	668	22,267
Oil and gas	31,699	-	31,699
Operating materials	141,488	-	141,488
Personal safety equipment	29,965	-	29,965
Stationery and office supplies	5,335	165	5,500
Training	6,704	-	6,704
Travel, awards and banquet	2,850	88	2,938
Uniforms	5,176	-	5,176
Utilities	70,006	2,165	72,171
Vehicle maintenance	128,944	-	128,944
Volunteer recruitment	495	-	495
Wellness program	22,293	-	22,293
	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 4,311,317</u>	<u>\$ 181,439</u>	<u>\$ 4,492,756</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>General and Administrative</u>	<u>Total</u>
Beverages	\$ 9,636	\$ 298	\$ 9,934
Breathing apparatus	5,804	-	5,804
Depreciation	354,239	10,956	365,195
First aid supplies	10,632	-	10,632
Insurance	157,606	4,874	162,480
Interest	-	22,821	22,821
Legal and accounting	-	43,547	43,547
Maintenance materials	70,862	-	70,862
Major repairs and maintenance	58,123	1,798	59,921
Manpower	3,009,678	92,186	3,101,864
Miscellaneous	16,464	509	16,973
Oil and gas	36,778	-	36,778
Operating materials	32,906	-	32,906
Personal safety equipment	133,070	-	133,070
Stationery and office supplies	7,248	224	7,472
Training	18,323	-	18,323
Travel, awards and banquet	4,359	135	4,494
Uniforms	2,465	-	2,465
Utilities	66,485	2,056	68,541
Vehicle maintenance	135,520	-	135,520
Volunteer recruitment	250	-	250
Wellness program	21,216	-	21,216
	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 4,151,664</u>	<u>\$ 179,404</u>	<u>\$ 4,331,068</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (522,519)	\$ (754,229)
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	344,187	365,195
Increase in prepaid expenses	(30,915)	(35,784)
Increase in accounts receivable	(133,401)	(9,332)
Increase in other assets	(19,666)	(23,141)
Increase (decrease) in accounts payable	6,889	(5,558)
(Decrease) increase in accrued wages and payroll taxes	(16,060)	14,697
Increase in annual leave payable	23,398	30,768
Increase in accrued postretirement benefits	7,041	25,271
Increase in accrued pension expense	65,058	36,545
Net cash used in operating activities	<u>(275,988)</u>	<u>(355,568)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>-</u>	<u>(146,721)</u>
Net cash used in investing activities	<u>-</u>	<u>(146,721)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	<u>(119,625)</u>	<u>(112,156)</u>
Net cash used in financing activities	<u>(119,625)</u>	<u>(112,156)</u>
 NET DECREASE IN CASH	(395,613)	(614,445)
 Cash at beginning of year	<u>1,039,254</u>	<u>1,653,699</u>
 CASH AT END OF YEAR	\$ <u>643,641</u>	\$ <u>1,039,254</u>
 SUPPLEMENTARY CASH FLOW INFORMATION:		
 Cash was paid for the following:		
Interest	<u>\$ 15,351</u>	<u>\$ 22,821</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

ORGANIZATION:

The Third District Volunteer Fire Department (the fire department) was organized in 1951 and provides the citizens of the Fire Protection District No. 3 of Jefferson Parish with fire protection and related services. The fire department is under a 10-year contract with Jefferson Parish to provide fire protection to the Third District. The contract expires December 1, 2027. The majority of the fire department's revenue is derived from this contract. At December 31, 2019 the department was operating four stations with 63 paid employees and 48 volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire department's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation:

The financial statements of the fire department are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The fire department is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor imposed restrictions. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets. As of December 31, 2019 and 2018, the fire department had only net assets without restrictions.

Allocation of Expenses:

The cost of providing programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses, which are easily and directly associated with firefighting or general and administrative, are charged directly to that functional area. Certain other expenses have been allocated to firefighting services and general and administrative based on time devoted by the fire department's staff.

Program services consists of providing firefighting services to the Third District of Jefferson Parish.

General and administrative consists of general administrative expenses incurred.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue:

Substantially all of the fire department's revenue is derived from funds provided by the Fire Protection District No. 3 of Jefferson Parish to provide firefighting and rescue services to the designated area of the Third Fire Protection District and is considered to be an exchange transaction within the scope of ASC Topic 606, *Revenue from Contracts with Customers*. The Parish pays the fire department monthly installments which represent the net proceeds of millage levied annually on the assessed valuation of property in the Third Fire Protection District. The revenue is recognized as the services are performed monthly. Other sources of revenues would include fund raising, contributions, and interest. These other sources of revenue are recorded when received.

In addition, the fire department routinely receives revenue from the following sources:

- A) Insurance Rebates - The amount is received annually from the State of Louisiana through Jefferson Parish. The amount received is based on the number of homes within the fire district and totaled \$149,910 and \$150,688 for 2019 and 2018, respectively.
- B) Jefferson Parish Service Charge - The fire department receives monthly installments based on the number of water meters within the fire district and totaled \$340,008 for both 2019 and 2018. The assessment of the service charge was approved by public election.

Cash:

For purposes of the statement of cash flows, the fire department considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. A detail of cash was as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 360	\$ 360
Cash in banks	<u>643,281</u>	<u>1,038,894</u>
	<u>\$ 643,641</u>	<u>\$ 1,039,254</u>

Donated Services:

ASC 958-605 provides that the value of donated services should be recognized in financial statements if the services require specialized skills, are provided by persons possessing those skills, and the services would be purchased if they were not donated.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services: (Continued)

No amounts have been reflected in the financial statements for donated services. Donated services were not recorded due to the fact that the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire department's program services.

Property and Equipment:

It is the fire department's policy to expense all assets purchased with appropriations from the Fire Protection District No. 3 of Jefferson Parish, because they are owned by the Fire Protection District No. 3 of Jefferson Parish as stated in the contract between the Fire Protection District No. 3 of Jefferson Parish and the fire company. Assets purchased with other revenues are recorded as fixed assets when purchased.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported with donor restrictions. The fire department reports expirations of donor restrictions when the donated or acquired assets are placed in service as instruction by the donor.

Property and equipment are carried at cost. The fire company maintains a threshold level of \$1,000 or more for capitalizing fixed assets. Renewals and betterments that materially extend the life of the asset are capitalized. Upon retirement or disposal of an asset, the cost of the asset and the related accumulated depreciation are removed from the books. Any resulting gain or loss is included in the statement of activities. Straight-line depreciation is used. The assets are depreciated using the following useful lives:

Vehicles	5 - 15 years
Furniture and fixtures	5 - 10 years
Firefighting equipment	5 - 40 years
Buildings and improvements	5 - 40 years

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Pronouncements:

During the year ended December 31, 2018, the fire department adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is a change in the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability of financial statements was added to the financial statements (Note 11).

As of January 1, 2019, the fire department adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The fire department's primary source of revenue is from its contract with Jefferson Parish. The fire department has analyzed the provisions of FASB's ASU Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes to their revenue recognition are needed to conform with the new standard.

As of January 1, 2019, the fire department also adopted FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. The fire department has analyzed the provisions of FASB's ASU Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and have concluded that no changes are necessary to conform with the new standard.

As of January 1, 2019, the fire department implemented FASB ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This update requires that an employer disaggregate the service cost component from the other components of net benefit cost.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. PROPERTY AND EQUIPMENT:

The cost and accumulated depreciation of property and equipment were as follows:

	December 31, 2019		
	Property and Equipment - <u>Cost</u>	Accumulated <u>Depreciation</u>	Net Property and Equipment
Land	\$ 948,461	\$ -	\$ 948,461
Buildings	2,412,228	961,030	1,451,198
Firefighting equipment	723,382	537,952	185,430
Radios	315,208	312,977	2,231
Trucks and other automobiles	3,895,928	2,283,876	1,612,052
Office furniture and equipment	35,699	32,121	3,578
Computer equipment	<u>49,666</u>	<u>49,117</u>	<u>549</u>
TOTAL	<u>\$ 8,380,572</u>	<u>\$ 4,177,073</u>	<u>\$ 4,203,499</u>

	December 31, 2018		
	Property and Equipment - <u>Cost</u>	Accumulated <u>Depreciation</u>	Net Property and Equipment
Land	\$ 948,461	\$ -	\$ 948,461
Buildings	2,412,228	895,428	1,516,800
Firefighting equipment	723,382	488,940	234,442
Radios	315,208	311,314	3,894
Trucks and other automobiles	3,915,154	2,079,658	1,835,496
Office furniture and equipment	35,699	30,171	5,528
Computer equipment	<u>49,666</u>	<u>46,601</u>	<u>3,065</u>
TOTAL	<u>\$ 8,399,798</u>	<u>\$ 3,852,112</u>	<u>\$ 4,547,686</u>

In February 2011, two fire trucks were acquired under a capital lease at a cost of \$594,410 each. See note 9 for the capital lease. The assets are amortized over their estimated useful lives. Amortization of assets under capital leases is included in depreciation expense for the years 2019 and 2018. In 2019, Jefferson Parish began reimbursing the fire department for the lease payments. The following is an analysis of the leased assets included in property and equipment:

	<u>2019</u>	<u>2018</u>
Trucks	\$ 1,188,820	\$ 1,188,820
Less accumulated depreciation	<u>(706,688)</u>	<u>(637,432)</u>
Net book value	<u>\$ 482,132</u>	<u>\$ 551,388</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. PROPERTY AND EQUIPMENT: (Continued)

During the year 2019, the fire department purchased a vehicle with a value of \$44,367 and firefighting equipment in the amount of \$56,930. These amounts are reported in the program expenses as of December 31, 2019.

3. INCOME TAXES:

The fire department is exempt from income taxes under the Internal Revenue Code 501(c)(3). The fire department's Federal Return of Organization Exempt from Income Tax (Form 990) for 2019, 2018, 2017, and 2016 remain open and subject to examination by taxing authorities.

4. ANNUAL LEAVE PAYABLE:

All full time employees of the Third District Volunteer Fire Department accumulate annual leave which is accrued based on years of service and the employee's current rate of pay. At termination of employment, compensation will be paid for all annual leave hours remaining on the books at the employee's straight time rate. No compensation will be paid for any sick leave remaining at termination of employment. As of December 31, 2019 and 2018, the annual leave payable was \$160,412 and \$137,014, respectively.

5. DEFINED CONTRIBUTION PLAN:

The fire department sponsors a defined contribution plan that covers all employees who have accumulated at least 1,000 service hours annually.

Contributions to the plan are based on 12% of the gross wages paid by the fire department and the supplemental wages received from the State of Louisiana.

For the years ended December 31, 2019 and 2018, the fire department contributed \$253,994 and \$188,936, respectively, to the plan.

6. CONCENTRATIONS:

At various times during 2019 and 2018, the fire department had cash on deposit and cash equivalents in excess of FDIC insurance limits. The amount in excess of FDIC coverage at December 31, 2019 and 2018 was \$-0- and \$625,164, respectively. At December 31, 2019 and 2018, the financial institution had pledged securities with market values of \$1,464,218 and \$1,420,000 at December 31, 2019 and 2018, respectively, to offset the risk of loss to the fire department.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

6. CONCENTRATIONS: (Continued)

During the year ended December 31, 2019, the fire department opened a promontory insured cash sweep (ICS) which is used to maintain a certain balance in the operating cash account by moving cash back and forth as needed to maintain that balance. Deposits in promontory ICS accounts are spread among other banks within the promontory network so that no balances at any one bank are above FDIC coverage.

7. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. DEFINED BENEFIT PLAN:

The fire department has a nonqualified defined benefit plan covering substantially all of its volunteers. The plan is noncontributory and is administered by a trustee. An actuarial valuation of the plan is prepared annually. The assumed interest rate used in the valuation was 4.75% for each of the years ended December 31, 2019 and 2018. Contributions to the plan by the fire department were \$25,879 and \$25,830 for 2019 and 2018, respectively. The expected contribution for 2020 is \$20,971. The amount of cash held by the insurance company to fund this plan for the years ended December 31, 2019 and 2018 was \$492,354 and \$472,688, respectively.

The benefits are based on years of volunteer service to the fire department at \$10.00 for 2019 and 2018, per month up to thirty years of service. The maximum benefit per month under this benefit formula is \$300 for 2019 and 2018. The participant vests after five years of service and is entitled to benefits at age 60. Benefits paid to plan participants were \$16,325 and \$14,436 for the years ended December 31, 2019 and 2018, respectively.

The prior service cost at adoption of the plan was \$163,983. This amount is based on \$5.00 per month per year of past service per participant up to a maximum of twenty years. This cost is being recognized over the average estimated remaining service life of the participants or twenty-six years. The amount recognized for each of the years ended December 31, 2019 and 2018 was \$6,307. The net unrecognized prior service cost was \$12,615 and \$18,922 at December 31, 2019 and 2018, respectively. The prior service cost for the plan that will be amortized over the next year is \$6,307.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

8. DEFINED BENEFIT PLAN: (Continued)

The net periodic benefit cost for the defined benefit plan for the years ended December 31 as follows:

	<u>2019</u>	<u>2018</u>
Service cost	\$ 17,059	\$ 33,400
Other components of cost:		
Investment income	(13,942)	(14,186)
Amortization of prior costs	6,307	6,307
Insurance premiums	2,149	2,031
Administrative fee	<u>1,430</u>	<u>1,430</u>
Total other components	<u>(4,056)</u>	<u>(4,418)</u>
Net periodic benefit cost	<u>\$ 13,003</u>	<u>\$ 28,982</u>

In 2019, the fire department implemented the provisions of FASB ASU 2017-07 that require that an employer report the service cost component separately from other components of net benefit cost. The service cost component is reported in the same line of the statement of functional expenses where they report compensation cost. The other components of net benefit cost are reported as other expenses. In prior years, the service cost and other pension costs were lumped together on the statement of functional expenses. Statement of activities amounts for 2018 have been reclassified to give retroactive effect to the adoption of ASU 2017-07 (with no effect on previously reported change in net assets).

Service costs are included in the statements of activities as follows:

	<u>2019</u>	<u>2018</u>
Manpower	<u>\$ 17,059</u>	<u>\$ 33,400</u>

The annual measurement date is December 31st for the retirement benefits. The following table provides further information about the fire department's plan:

Obligations and Funded Status:

	<u>2019</u>	<u>2018</u>
Actuarial present value of accrued benefits for services rendered to date:		
Vested	\$ 545,805	\$ 540,336
Non-vested	<u>5,644</u>	<u>10,379</u>
	<u>\$ 551,449</u>	<u>\$ 550,715</u>
Actuarial present value of accrued benefit obligation at December 31	\$ (551,449)	\$ (550,715)
Plan assets at fair value (included in other assets on the statements of financial position) at December 31	<u>492,354</u>	<u>472,688</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

8. DEFINED BENEFIT PLAN: (Continued)

Obligations and Funded Status: (Continued)

Plan assets in deficit of projected benefit obligation	(59,095)	(78,027)
Unrecognized prior service costs	<u>12,615</u>	<u>18,922</u>
Unfunded status	<u>\$ (46,480)</u>	<u>\$ (59,105)</u>

Amounts recognized in the statements of financial position at December 31, 2019 and 2018 consist of:

	<u>2019</u>	<u>2018</u>
Noncurrent assets	\$ 492,354	\$ 472,688
Current liabilities	(134,709)	(132,948)
Noncurrent liabilities	<u>(404,125)</u>	<u>(398,845)</u>
	<u>\$ (46,480)</u>	<u>\$ (59,105)</u>

Assumptions:

Weighted-average assumptions used to determine benefit obligations at December 31, 2019 and 2018.

Discount rate	4.75%
Expected return on plan assets	4.75%

In the December 31, 2019 and 2018 actuarial valuations, the entry age normal method was used.

9. CAPITAL LEASE OBLIGATIONS:

The capital lease consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Fire truck – lease payable to Regions Bank, interest at 6.5%, payable in quarterly installments of \$33,744, last payment due 2-25-2021.	\$ 160,798	\$ 280,423
Less: current portion	<u>(127,593)</u>	<u>(119,625)</u>
Total	<u>\$ 33,205</u>	<u>\$ 160,798</u>

Future minimum payments of the capital lease obligation as of December 31st are as follows:

2020	\$ 127,593
2021	<u>33,205</u>
Total lease payments	<u>\$ 160,798</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

10. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire department receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire department, they are not included in these financial statements.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

At December 31, 2019 the fire department had \$794,763 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$643,641 and accounts receivable in the amount of \$151,122.

At December 31, 2018 the fire department had \$1,056,975 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$1,039,254 and accounts receivable in the amount of \$17,721.

12. SUBSEQUENT EVENTS:

A novel strain of coronavirus was reported in New Orleans in March 2020, and continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

In May 2020, the fire department received a loan (the "PPP Loan") from its primary lender in the amount of \$490,100, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES act, which was enacted March 27, 2020. Funds from the PPP loan may only be used for payroll costs, group healthcare benefits, rent, and utilities. Under the terms of the PPP, certain amounts of the PPP loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The fire department intends to use the entire PPP Loan amount for qualifying payroll and related expenses.

Management has evaluated subsequent events through June 25, 2020, which is the date on which the financial statements were available to be issued, and determined no events occurred that would have significantly affected these financial statements, other than those previously disclosed.

13. RECLASSIFICATIONS:

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format.

SUPPLEMENTARY INFORMATION

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency head name: Brad Migliore, Fire Chief

<u>Purpose</u>	<u>Amount</u>
Reimbursements (cell phone)	\$ <u>600</u>
	\$ <u><u>600</u></u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 25, 2020

To the Board of Directors
Third District Volunteer Fire Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Third District Volunteer Fire Department (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Third District Volunteer Fire Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Third District Volunteer Fire Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Third District Volunteer Fire Department's internal control.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Third District Volunteer Fire Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Third District Volunteer Fire Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Third District Volunteer Fire Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislature Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
SCHEDULE OF FINDINGS
DECEMBER 31, 2019

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Third District Volunteer Fire Department for the year ended December 31, 2019 was unmodified.

2. Internal Control
 Significant deficiency: none
 Material weaknesses: none

3. Compliance and Other Matters
 Noncompliance material to financial statements: none

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS
GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

NONE

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

PRIOR YEAR AUDIT FINDING:

NONE

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2019

THIRD DISTRICT VOLUNTER FIRE DEPARTMENT

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June 25, 2020

To the Board of Directors and Management of
Third District Volunteer Fire Department and
the Louisiana Legislative Auditor
10423 Jefferson Highway
River Ridge, Louisiana 70123

We have performed the procedures enumerated below, which were agreed to by the Third District Volunteer Fire Department and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-upon Procedures (SAUPs) for the year ended December 31, 2019. TDVFD's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

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Written Policies and Procedures (Continued)

- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c) Disbursements, including processing, reviewing, and approving.
- d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) Payroll/Personnel, including, (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) Contracting, including, (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) Credit Cards (and debit cards, fuel cards, P-cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) Disaster Recovery/Business Continuity, including, (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results:

As a result of applying the agreed-upon procedures above, we noted that the Company's Disaster Recovery policy does not include storing backups in a separate physical location isolated from the network.

Third Management Response:

Management will consider revising the Disaster Recovery Policy to include this procedure.

Non-payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty card purchases)

2. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Results:

No findings were noted as a result of applying the above agreed-upon procedure.

3. For each location selected under #2 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated as such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results:

As a result of applying the above agreed-upon procedure, we noted that the person responsible for processing payments can also add and modify vendors in the purchasing system.

Management Response:

The office manager is responsible for adding vendors to the purchasing system. Due to the small size of the accounting function of the Company, we are not able to achieve a proper segregation of duties for the various accounting functions of the Company, including the accounts payable process. Through implementation of our policies and procedures, we

have various mitigating controls in place such as: (1) having our President review and initial all bank reconciliations; (2) requiring dual signatures on all checks; (3) requiring all purchases (excluding fixed bills such as utilities) to be accompanied by supporting documentation properly approved by the Fire Chief or President. Management will implement a process of having the Board President review vendor files periodically throughout the year.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana